

Message Text

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ORIGIN L-03

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 AGR-20

SWF-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 H-03 PM-07 PA-04 PRS-01 IO-14

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DRAFTED BY L:L/C:FAKWIA TEK:MB

APPROVED BY L:L/C:FAKWIA TEK

L:GHALDRICH (IN SUBS)

EUR/EE:WSSHEPARD

EUR/WE:EJBEAGEL

EB/IBF:WHWITHERELL

EUR/CE:HEWILGIS

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R 182029Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY PARIS

INFO AMEMBASSY BUDAPEST

UNCLAS STATE 079093

E.O. 11652: N/A

TAGS: EFIN, CPRS, US, HU (L/C)

SUBJECT: HUNGARIAN CLAIMS AGREEMENT

PLEASE PASS URGENTLY FOLLOWING MESSAGE FROM ASSISTANT LEGAL
ADVISER FOR INTERNATIONAL CLAIMS, FABIAN A. KWIA TEK, TO
FORMER DEPUTY LEGAL ADVISER, CARL F. SALANS, 20 PLACE DE LA
MADELEINE, PARIS (LAW OFFICES OF SAMUEL PISAR), IN REPLY TO
SALANS' TELEGRAM FOR BACKGROUND INFORMATION CONCERNING
CERTAIN ASPECTS OF NEGOTIATING HISTORY LEADING TO CLAIMS
AGREEMENT OF MARCH 6, 1973 BETWEEN THE GOVERNMENTS OF THE
UNITED STATES AND HUNGARY SO THAT SALANS' PERSONAL VIEWS
CAN BE DISCUSSED WITH JANOS FEKETE, PRESIDENT OF HUNGARIAN
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NATIONAL BANK:

(1) NOTWITHSTANDING CLAIMS AGREEMENT, JOHNSON DEBT DEFAULT ACT REMAINS APPLICABLE TO HUNGARY. ONLY DEBT GIVING EFFECT TO ACT AROSE OUT OF WORLD WAR I AND IS BASED UPON THE FOLLOWING FACTS: HUNGARY PURCHASED SURPLUS FLOUR FROM UNITED STATES GRAIN CORPORATION, AGREEING TO PAY 1,982,555.50 DOLS OVER 62 YEARS; PAYMENT WAS SUSPENDED DURING HOOVER MORATORIUM IN 1932, BUT PAYMENTS WERE MADE FROM LOCAL CURRENCY ACCOUNT THROUGH 1941, AT WHICH TIME THE DEBT FELL INTO DEFAULT; AS OF JUNE 30, 1973, THE PRINCIPAL AND INTEREST DUE AND UNPAID WAS 3,776,685.40 DOLS. LEGISLATION HAS BEEN INTRODUCED IN THE CONGRESS BY THE ADMINISTRATION (TRADE REFORM ACT) FOR THE REPEAL OF THE JOHNSON ACT. REPEAL OF THE JOHNSON ACT PROVISION WAS ELIMINATED IN THE VERSION OF THE TRADE REFORM ACT PASSED BY THE HOUSE. WHETHER IT WILL BE ADDED IN THE SENATE VERSION OF THE BILL IS CONJECTURAL.

(2) TO DATE APPROXIMATELY 30 NATIONALS OF THE UNITED STATES HAVE COMMUNICATED WITH THE DEPARTMENT COMPLAINING ABOUT THE CANCELLATION OF BLOCKED FORINT BANK ACCOUNTS, MOST OF WHICH HAVE BEEN ESTABLISHED FROM FUNDS RECEIVED IN PAYMENT FOR THE TAKING OF PROPERTY, BECAUSE THE GOVERNMENT OF HUNGARY HAS INFORMED THEM THAT SUCH MATTER WAS SETTLED BY THE CLAIMS AGREEMENT OF MARCH 6, 1973. SOME CANCELLED ACCOUNTS ESTABLISHED FROM FUNDS RECEIVED THROUGH INHERITANCE NOT RELATED TO TAKING OF PROPERTY. YOU MAY RECALL THAT DURING NEGOTIATIONS LEADING TO AGREEMENT, HUNGARIAN DELEGATION EXPLAINED THAT OWNERS OF EXPROPRIATED PROPERTY RECEIVED COMPENSATION IN ALMOST ALL CASES, WHILE THOSE WHOSE PROPERTY HAD BEEN NATIONALIZED GENERALLY HAD NOT BEEN COMPENSATED, AND THAT MANY CLAIMS ARISING IN POST-AUGUST 1955 PERIOD WOULD HAVE RESULTED FROM EXPROPRIATION AS DISTINGUISHED FROM NATIONALIZATION. ADDITIONAL 250,000 DOLS SUM ADDED DURING OCTOBER 1972 DISCUSSIONS WITH FEKETE WAS TO COVER "OUTSTANDING" REPEAT "OUTSTANDING" CLAIMS AS STATED IN PREAMBLE AND DEFINED IN ARTICLE 2 OF AGREEMENT AND WHICH AROSE BETWEEN AUGUST 9, 1955 AND MARCH 6, 1973. SUCH CLAIMS INCLUDE THOSE WHICH HAVE NOT BEEN SETTLED DIRECTLY BY THE GOVERNMENT OF

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HUNGARY NOR ADJUDICATED BY THE FOREIGN CLAIMS SETTLEMENT COMMISSION. ARTICLE 6 REFERS TO CLAIMS AS DEFINED IN ARTICLE 2. THIS CONNECTION, WE INITIALLY REQUESTED ADDITIONAL PAYMENT OF ONE MILLION DOLS IN SETTLEMENT BUT REDUCED SUCH AMOUNT TO 250,000 DOLS BECAUSE ISTVAN KISS OF HUNGARIAN DELEGATION EXPLAINED THAT MANY CLAIMS VOLUNTARILY SETTLED DIRECTLY BETWEEN CLAIMANTS AND GOVERNMENT OF HUNGARY. IF WE WERE TO ACCEPT AS VALID THE

POSITION OF THE GOH THAT CANCELLED BANK ACCOUNT CASES COVERED BY AGREEMENT, THE LUMP-SUM SETTLEMENT AMOUNT WOULD BE BELOW THE 40 PERCENT PAYMENT AMOUNT WE REPEATEDLY STATED WE WOULD NOT AGREE TO. YOU MAY BE INTERESTED IN KNOWING THAT THE DEPARTMENT HAS INSTRUCTED THE AMERICAN EMBASSY IN BUDAPEST TO DISCUSS FOREGOING PROBLEM WITH FEKETE AND OTHER APPROPRIATE HUNGARIAN OFFICIALS, POINTING OUT THAT SINCE BLOCKED ACCOUNTS ESTABLISHED WITH FUNDS VOLUNTARILY ACCEPTED BY CLAIMANTS IN SETTLEMENT OF THEIR CLAIMS UNDER LAWS OF HUNGARY, AGREEMENT OF MARCH 6, 1973 DID NOT CONTEMPLATE NOR PROVIDE FOR THE SETTLEMENT OF ANY CLAIM PREVIOUSLY VOLUNTARILY SETTLED TO DATE OF AGREEMENT AS AGREEMENT SPECIFICALLY LIMITED TO "OUTSTANDING" CLAIMS. SHOULD CANCELLED ACCOUNTS NOT BE REINSTATED OR OTHERWISE SETTLED, THEY WOULD GIVE RISE TO ADDITIONAL VALID CLAIMS ARISING AFTER DATE OF AGREEMENT.

(3) REGRET THAT NO DELEGATION REPORT ON NEGOTIATIONS AVAILABLE AS RAPIDITY OF NEGOTIATIONS PRECLUDED WRITTEN RECORD. HOWEVER, ALL MEMBERS OF US DELEGATION IN DEPARTMENT CONCUR IN FOREGOING UNDERSTANDING. YOU MAY RECALL THAT FOREGOING PROBLEM WAS DISCUSSED WITH YOU DURING MY VISIT TO PARIS IN NOVEMBER AND THAT YOU ALSO CONCURRED IN DEPT POSITION.

(4) PLEASE ADVISE IF FURTHER INFORMATION DESIRED. KISSINGER

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TAGS: EFIN, CPRS, US, HU
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Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005